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DEPT FOR SCA/FO, SCA/RA, AND SCA/A
DEPT PASS AID/ANE
DEPT PASS USTR FOR DEANGELIS AND DELANEY
DEPT PASS OPIC FOR ZAHNISER
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USOECF FOR ENERGY ATTACHE
CENTCOM FOR CSTC-A
NSC FOR JWOOD
TREASURY FOR LMC DONALD, ABAUKOL, BDAHL, AND MNUGENT
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SUBJECT: AFGHANISTAN-PAKISTAN JOINT ECONOMIC COMMISSION MEETING,
NOVEMBER 25-26, 2008

¶1. (SBU) Summary. The Joint Economic Commission (JEC) focused on the many trade, trucking, and transit issues that bedevil the Pak-Afghan bilateral economic relationship. The two sides agreed to set up three new working groups to deal with these irritants. One aims to negotiate a new Afghanistan-Pakistan Transit Agreement and may meet as soon as January. The Afghans hope a new treaty will resolve most of their grievances. The second working group will take up Customs issues. The third, a Joint Monitoring and Evaluation Committee, will report quarterly to the JEC on implementation of JEC decisions. A fourth joint committee will prepare a joint proposal on funding of Reconstruction Opportunity Zones, which both sides strongly endorsed. The Finance Ministry official who briefed us was pleased that the JEC took up the critical trade and transit issues and that the Afghan private sector played a helpful role. At the same time he lamented that the Afghans have been raising most of their complaints for years. The GOP, he said, promises to look into them but nothing ever changes. Our contact requested USG assistance to press the GOP to take action on these long-standing impediments to smoother regional trade. End Summary

¶2. (SBU) Finance Ministry Advisor for Regional Economic Cooperation Saifullah Abid gave EconCouns a readout on the JEC, which met November 25-26 in Kabul. Appropriately, the meeting focused on the many trade and transit issues that bedevil the bilateral economic relationship. Afghan businesses, represented by the Afghanistan Chamber of Commerce and Industries (ACCI), played an active role in the meeting and delivered a litany of complaints about the treatment of Afghan shippers and transit goods by Pakistani authorities. The latter, in turn, had their own gripes about barriers to smooth movement of Pakistani goods through Afghanistan to Central Asia.

¶3. (SBU) Abid said Afghan officials pressed hard for negotiation of a new Afghanistan-Pakistan Transit Agreement (APTA) to replace the Afghan Transit Trade Agreement (ATTA) signed in 1965. The GIROA

argued that most of the issues raised by both sides would be resolved by a new agreement. According to the JEC Minutes, the GIROA formally delivered a draft text of a new APTA to the Pakistani Embassy in Kabul on November 18. The two sides agreed to form a Joint Working Group (JWG) to negotiate the APTA. The Minutes say this bilateral group is to meet on the margins of the Regional Economic Cooperation Conference (RECC), planned for January 2009 in Islamabad. However, the Foreign Ministry official responsible for Afghan preparation for the RECC told us November 30 that the RECC was being postponed until February or March because of security concerns in Islamabad. The Ministry of Commerce and Industries (MOCI) will have the GIROA lead on this JWG.

¶4. (SBU) Afghan officials also complained about the lack of reciprocity in trucking services: Pakistani truckers can deliver goods to Afghan destinations and transit Afghanistan to third countries, but Afghan truckers are not allowed to enter Pakistan (beyond Peshawar) and are required to hire the military-owned National Logistics Cell (NLC) to move Afghan transit goods. NLC's prices were excessive and its poor service led to long delays for Afghan transit goods at Karachi port. Pakistani officials said there were security and revenue-leakage issues with Afghan trucks. The Minutes state that the two sides agreed to review these trucking issues in the JWG on APTA and resolve them in a new treaty.

¶5. (SBU) Besides pressing for full rights for Afghan trucks, the GIROA and ACCI proposed establishing a joint transport company between the Afghan and Pakistani private sectors to meet both sides' transit trade needs. The Minutes state that this issue will be considered "by the Joint Pak-Afghan Chamber of Commerce within the APTA framework." (Comment: Elsewhere the Minutes note that the

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Pakistan-Afghanistan Chamber of Commerce and Industry has only met once.)

¶6. (SBU) The Afghan side also raised a number of Customs issues, some relating to Pakistani fees it contends are illegal under the existing ATTA. GOP officials cited the reduction to just two products - cigarettes and spare parts - on the Negative List of goods that may not transit Pakistan to Afghanistan. The GIROA pressed for elimination of these two. The two sides agreed to form a Joint Customs Committee to deal with these issues. The Finance Ministry will lead the Afghan side in this working group.

¶7. (SBU) For their part, GOP officials complained, among other things, about constraints on Pakistani transit trade through Afghanistan to Central Asia, including shippers having to register with three ministries, levies at various checkpoints, and the requirement to post a guarantee of 110 percent of the value of the cargo, returnable when exiting Afghanistan. GIROA said it is working to remove the guarantee within six months and proposed that other issues be covered in the context of a new APTA.

¶8. (SBU) The two sides agreed to form, within one month, a Joint Monitoring and Evaluation Committee charged with tracking implementation of JEC decisions. This working group, led by MOCI on the Afghan side, is to report quarterly to JEC.

¶9. (SBU) Abid said both sides expressed support for Reconstruction Opportunity Zones and hoped the USG would soon be able to launch the program. They agreed to "jointly encourage the donors to fund [the] initiative and ... to form a Joint Committee to prepare a joint proposal for ROZs funding within the next three months." (Comment: Regional recognition of the value of the ROZ program is, of course, welcome, but despite our efforts, the misunderstanding persists that ROZs are a donor-funded aid project, rather than a business-led trade preference scheme. We will keep trying to correct it.)

¶10. (SBU) The two sides also discussed Pakistani reconstruction assistance to Afghanistan. Abid said GOP officials undertook to complete ongoing projects and to consider, once Pakistan's financial situation improves, the GIROA wish-list of new projects. They also discussed connecting the two countries' fiber optic networks, which would require the Pakistani side to install only a 15-km section between Peshawar and Torkham. Abid said the GOP agreed to consider

this and also suggested that the GIROA speak to Etisalat, the UAE private investor in the Pakistani phone company (PTCL). The two sides did not discuss preparations for the RECC.

¶11. (SBU) Overall, Abid had mixed views on the results of the JEC. He said the GIROA was well prepared and put all its issues on the table, Afghan business played a helpful role, the exchange was frank and atmospherics good. At the same time, he was disappointed that Pakistani delegation leader Shaukat Tarin only participated in the signing of the Minutes (he held bilateral meetings with President Karzai and three ministers). As a result, Finance Minister Ahady only attended the opening and signing sessions, and most of the meeting was chaired at sub-cabinet level. Creation of the three working groups held potential, but Abid lamented that the Afghans have been raising most of their complaints for years. The GOP, he said, promises to look into them but nothing ever happens. Abid specifically requested USG assistance to press the GOP to take action on these long-standing impediments to smoother regional trade, which he also noted affect Coalition military efforts in Afghanistan. EconCouns undertook to relay the request.

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